



National Association of Development Organizations
400 North Capitol Street, NW, Suite 390 ■ Washington, DC 20001
202-624-7806 ■ FAX 202-624-8813
email info@nado.org ■ homepage www.nado.org

WRITTEN STATEMENT FOR THE RECORD

KENNETH N. JONES, JR.
EXECUTIVE DIRECTOR OF THE
LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL
AND
SECRETARY OF THE
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

BEFORE THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE SUBCOMMITTEE
ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS
AND EMERGENCY MANAGEMENT

(202) 624-7806
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EXECUTIVE SUMMARY

- The Economic Development Administration (EDA) is a vital federal resource for distressed areas striving to improve their local economies through private sector job growth. This applies to localities struggling to overcome both long-term economic challenges and sudden and severe hardships such as manufacturing plant closings, military base closures, natural disasters and declines in core industries.
- The Economic Development District planning program is a proven and essential resource for our nation's distressed communities, particularly in small metropolitan and rural regions. As reported in a new program evaluation by Wayne State University, the national network of 320 development districts has established an impressive record of facilitating a comprehensive strategic planning process that "provides the critical backbone for economic development planning at the local level."
- The EDA public works program provides valuable financial assistance to build, rebuild or expand the basic public infrastructure needed to develop new businesses or retain existing companies. The average EDA public works investment is leveraged ten to one by the private sector, according to a comprehensive study by Rutgers University. Long-term jobs are created and retained at an average cost of \$3,058 per job, which is among the lowest in government.
- The EDA Revolving Loan Fund (RLF) program is one of the most successful and powerful economic development tools for addressing the credit gaps that exist in distressed communities, particularly in underserved rural areas. By using limited public funds to leverage private capital, locally managed RLFs have provided business capital to thousands of new and existing companies that have difficulty securing conventional financing.

Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to testify today on issues related to the reauthorization of the Economic Development Administration.

My name is Ken Jones. I am the Executive Director of the Lower Rio Grande Valley Development Council, headquartered in McAllen, Texas. I also currently serve as the Secretary of the National Association of Development Organizations (NADO) and Chairman of the NADO Task Force on EDA Reauthorization. My professional background includes 30 years in regional and local economic development, including 11 years in my current position.

In my testimony, Mr. Chairman, I plan to discuss the unique role EDA plays within the portfolio of federal economic development programs. I will highlight the impact of EDA investments at the local level and demonstrate the overwhelming value of the planning, public works, revolving loan fund and brownfields redevelopment programs. Finally, I will address the distinct differences between the mission of EDA and the existing and proposed federal-state regional commissions, which are modeled after the Appalachian Regional Commission.

ABOUT NADO AND REGIONAL DEVELOPMENT ORGANIZATIONS

The **National Association of Development Organizations (NADO)** provides training, information and representation for regional development organizations serving the 82 million residents of small metropolitan and rural America. The association, founded in 1967 as a national public interest group, is a leading advocate for a regional approach to community and economic development. NADO is also part of the intergovernmental partnership among federal, state and local governments.

NADO members—known locally as councils of government, economic development districts, local development districts, planning and development districts and regional planning commissions—provide administrative, professional and technical assistance to over 2,000 counties and 15,000 small cities and towns. They administer and deliver a variety of federal and state programs. Based on local needs, programs may include aging, census, community and economic development, emergency management, homeland security, housing, small business development finance, transportation and workforce development. A policy board of local elected officials, business leaders and citizen representatives typically governs each regional organization. Associate members of NADO include state and local agencies, educational and nonprofit organizations, businesses and individuals.

The **Lower Rio Grande Valley Development Council (LRGVDC)** is a regional development organization serving the three southernmost counties of Texas, including Cameron, Hidalgo and Willacy counties. The multi-county region covers 3,019 square miles and a population of nearly 968,000 residents. Membership in LRGVDC consists of the governing bodies of each of the three counties, 40 municipalities, 15 educational institutions, 29 special purpose districts, one grassroots representative and ten members-at-large.

The organization provides administrative, professional and technical assistance to its local communities and governments. LRGVDC is an Economic Development District designated and funded by EDA, the Metropolitan Transportation Planning Organization for Hidalgo County and the Area Agency on Aging for the Lower Rio Grande Valley. The organization is involved in a variety of other initiatives, such as administering small business development finance programs, assisting local governments with criminal justice, solid waste and water resource planning, managing local 911 emergency telephone services, and running transit systems for both urban and rural areas. Under a state program, LRGVDC also hosts a regional police academy and training center.

A. ROLE OF THE ECONOMIC DEVELOPMENT ADMINISTRATION WITHIN THE PORTFOLIO OF FEDERAL PROGRAMS

As the only federal agency focused solely on private sector job growth and sustainability, the Economic Development Administration is a vital resource for distressed communities striving to improve their local economies. Whether it is through infrastructure grants, strategic planning assistance, business development capital or technical assistance, EDA investments are designed to promote economic development in impoverished communities. Most importantly, EDA investments are typically the seed funds or gap financing that make locally identified projects a reality in the nation's poorer areas.

Over the years, the agency has developed a strong record in assisting communities who are struggling to overcome both long-term economic challenges and sudden and severe hardships. Through its full range of program tools, the agency has been uniquely positioned to help areas recover from military base closures, manufacturing plant closings, natural disasters and declines in natural-resource based industries like coal, fisheries and timber.

The agency has also developed important partnerships at the state, regional and local levels. These relationships with regional development organizations, local governments, universities and others are an essential part of carrying out the agency's traditional "bottoms-up" philosophy. As reinforced in various academic studies and evaluations, EDA investments are among the most efficient and cost-effective in government because they originate from a local planning process, require a substantial financial match from local grantees and focus on private sector job creation.

At a time when Congress must make difficult choices on agency budgets, EDA is an agency that merits the full support and commitment of the committee. Therefore, we respectfully urge the committee to develop and approve a multi-year reauthorization bill that maintains the agency's current mission and program focus of helping bring economic opportunities to all of the nation's distressed communities. Following are details on the specific priorities of NADO and its membership.

B. ECONOMIC DEVELOPMENT DISTRICT PROGRAM: BUILDING CAPACITY AND PARTNERSHIPS AT THE REGIONAL LEVEL

First, Mr. Chairman, the economic development district planning program has proven to be a cost-effective and essential resource for our nation's distressed communities, particularly in small metropolitan and rural regions. As reported in a new program evaluation by Wayne State University, the national network of 320 economic development districts has developed an impressive record of facilitating a comprehensive strategic planning process that "provides the critical backbone for economic development planning at the local level."

By leveraging limited EDA planning funds with local dollars, districts provide vital professional, administrative and technical assistance to local officials and communities. This is particularly true in small metropolitan and rural regions where local governments often lack professional staff capacity. According to a 2001 study by the National Association of Counties, over 60 percent of metropolitan counties have full-time economic development staff, compared to only 34 percent of rural counties. Furthermore, nearly 85 percent of the country's 39,000 units of local government serve populations below 5,000 and almost 30 percent have no professional staff. As a result, most of the nation's smaller communities rely heavily on EDA-funded planning districts for support.

As part of the Comprehensive Economic Development Strategies (CEDS) process, districts bring local elected officials, business leaders and community representatives together to prepare and implement strategies aimed at helping a multi-county region become or remain full participants in the nation's economic mainstream. Whether a region is currently enjoying economic stability or coping with long-term challenges such as declines in traditional industries, they must prepare for tomorrow or risk falling behind in the competitive global and high-tech marketplace.

In recent years, districts have engaged in comprehensive planning and implementation that incorporates far more than the traditional needs. Today's regional plans may encompass strategies for using technology as an economic development tool, building local workforce capacity in distressed areas and enabling communities to diversify economies. In addition to the planning functions, districts spend a significant amount of time and staff resources helping local communities administer and package financing for projects, navigate the reams of bureaucratic red-tape, and collect and analyze the data needed to make informed and educated decisions.

With advanced technologies, such as Geographic Information Systems (GIS) and Global Positioning System (GPS), many districts are now providing state-of-the-art assistance to local constituents. While the possibilities for GIS are almost endless, activities range from mapping areas with failing septic systems in order to identify areas where alternative treatment systems are needed, to simulating the land use and environmental impact of business locations in a specific area, to marketing and showcasing industrial parks over the Internet. As noted in the 1998 House committee report on EDA reauthorization, EDA should be encouraged to enhance GIS-related activities of the districts.

The Southeast Tennessee Development District offers a good example of the power of comprehensive planning. McMinn County, located in the southeast corner of the state, was facing overcrowded jails, an overflowing landfill and growing debt. Over a ten-year period, county leaders worked with the district to address these pressing needs while also planning for the future. After implementing ideas developed during the planning process, the county is now debt-free and follows a pay-as-you-go policy.

The planning districts in Oklahoma are using GIS and GPS technologies to develop capital improvement plans for local governments, a process that requires an inventory of public assets. By cataloging and mapping every road, bridge, water line, public building and other assets, the districts can create visuals and data for local elected officials and business leaders who are developing economic development strategies. The information can also be used for zoning decisions, land use management, disaster mitigation planning, transportation planning and an endless list of other activities.

In eastern Kentucky, several economic development districts are involved in a life-changing program that is providing area residents with clean and safe drinking water, many for the first time in their lives. Due to the natural landscape, it is often extremely costly for local residents to install water and sewage treatment systems such as septic tanks. Historically, thousands of Appalachian residents have used straight pipes to dispose of waste, usually directly into creeks, streams and rivers.

In response to the vision and leadership of Congressman Harold Rogers, the districts have gathered and analyzed the information needed to map the locations of the straight pipes. They have helped develop programs that educate local residents about the environmental impact of straight pipes. They have also established revolving loan funds for area residents to obtain low interest loans for septic tank purchases. This model program has helped improve the quality of drinking water in the region and protect the environment, while also restoring pride in the communities.

The Northeast Oregon Economic Development District has worked to diversify the economy of its rural region. The group established Enterprise Facilitation to increase community capacity by promoting local entrepreneurship and assisting individual start-ups, business improvement and expansion planning. The program draws on the expertise of a volunteer local board and facilitator to help each entrepreneur build a support team with the strengths to cover business development areas, such as marketing and financial management. The program has served 264 entrepreneurs, 15 start-ups and 11 business expansions with job creation. The organization has leveraged public and private sector funds, including EDA, to maintain the initiative.

In central Pennsylvania, SEDA-COG established a resource center that helps organize partnerships for community success, achieve local development objectives and shape community identity through town planning and urban design. The project is the culmination of a regional effort to strengthen bonds between Lewistown and the surrounding municipalities. By placing downtown development in the context of regional community, this initiative breaks new ground for small town conservation and economic development. It has stimulated a constructive dialogue, spawned new regional connections and improved intergovernmental cooperation. In addition, nonprofit capacity has been organized, private capital has been committed and leveraged, and businesses have benefited from the resultant downtown-based services and training opportunities.

Economic development districts have consistently demonstrated the indispensable value of EDA planning grants. Although the average \$54,000 planning grant is small by Washington standards, it means a world of difference to the thousands of rural counties and small towns served by districts. Unfortunately, the true purchasing power of the district planning money has been eroded over the past 30 years to less than 20 cents on the dollar. In addition, the limited pool of resources has been stretched in recent years as the agency tries to assist designated-but-unfunded districts across the country.

As mentioned above, the comprehensive evaluation conducted by Wayne State University's Center for Urban Studies in 2002 found that districts are both effective and essential to local development. The summary of the report frames the work of the districts best by stating, "economic development districts have been effective instruments promoting cooperation, coordinating needs assessments, and through the CEDS [Comprehensive Economic Development Strategies] process, generating the kind of regional planning needed to effectively promote positive economic change."

To further enhance the performance of economic development districts, NADO specifically urges the committee to increase financial resources for the national network of economic development districts. It should restore the local cost-sharing match to 75-25 percent for districts with distressed counties and establish a pilot program to enhance the development of regional Geographic Information System programs. Finally, the committee should retain the 10 percent district bonus for public works and economic adjustment projects. The district bonus is an effective incentive for encouraging competing local jurisdictions to pursue regional partnerships and collaborations.

C. EDA PUBLIC WORKS PROGRAM: BUILDING THE FOUNDATION FOR ECONOMIC DEVELOPMENT

Year after year, local elected officials and economic development professionals in rural and small town America identify infrastructure development as their primary concern for economic development. The EDA public works program is an essential, flexible and cost-effective partner for helping distressed communities develop the most basic economic building block—infrastructure.

While there are other federal programs, such as the HUD Community Development Block Grant program, USDA rural development and the EPA clean water and drinking water funds, the EDA public works program is the only program focused solely on projects tied to private sector job growth and sustainability. It is also different because it is a cost-sharing grant program targeted directly at distressed local communities, unlike many of the other federal programs that are either administered by the states or only offer loans and loan guarantees to communities already financially strapped.

The value and success of EDA public works program has been repeatedly validated over the years. The average EDA infrastructure investment is leveraged ten to one by the private sector, according to a comprehensive study by Rutgers University. More importantly, EDA projects help distressed communities create quality long-term jobs at an average cost of \$3,058 per job, which is among the lowest in government. The Rutgers report underscores that the near-perfect on-time completion of EDA public works projects is the direct result of the planning phase that precedes the project selection.

Throughout its history, EDA has also been recognized as a national leader and innovator in the economic development field. Many cutting-edge practices have emerged from the public works program, such as business incubator buildings, smart technology parks, eco-industrial parks, and the redevelopment of brownfields. Without the financial and technical support of EDA and its local partners, most distressed communities in small metropolitan and rural America would never have the opportunity to implement these essential infrastructure-related projects.

In Georgia, for example, EDA made a \$1 million investment in a \$1.8 million project that will extend water, sewer collection and disposal, and access roadways to industrial complexes in Willacoochee. As a result of the project, one of the tenants who makes wooden fiberboards plans to create and retain 309 jobs in this very rural area of southern Georgia.

In Tennessee, EDA invested \$1.5 million in public works money to partially finance water system improvements at the North Etowah Industrial Park. The project allowed a brake manufacturer for the automotive and truck industry to commence production operations of its second state of the art facility in 2001. The EDA project also helped locate a second automotive supplier in a spec building within the industrial park.

Since the completion of the EDA financed infrastructure improvements, the city of Etowah has experienced an 18 percent increase in its local tax base. Moreover, given the quality of the companies and the higher than average wages (\$12 per hour or better) the per capita income increased from \$16,924 to \$20,395. In recent months, the two businesses have announced their expansion plans due to upcoming regulatory changes in the automotive industry. With the changes, a second phase is expected to generate an additional 250 jobs coupled with a \$115 million private sector investment.

EDA invested nearly \$3 million to sustain a major local industry in Montana. A local company constructed a \$550 million plant in Silver Bow, just west of Butte. The company converts metallurgical-grade silicon into silane gas and polycrystalline silicon products including rods and chunks. These products are sold to other companies that use the material to produce single crystal wafers, which are later sold and used by companies, such as, Motorola, Micron, and Intel to make semiconductor devices such as memory chips and microprocessors. Currently, 220 people are employed at the plant and an additional 60 jobs will be created in this small city. The average annual salary of the workers is \$55,000.

As part of the next EDA reauthorization package, we strongly encourage the committee to authorize at least \$286.7 million for the EDA public works program, the same as the FY2001 appropriations level. It is a proven program that serves as a key catalyst for economic development in distressed areas. Without it, impoverished communities would struggle to develop and sustain the infrastructure and facilities needed to develop new businesses and retain existing companies.

**D. EDA REVOLVING LOAN FUND PROGRAM:
HELPING TO ESTABLISH AND EXPAND BUSINESSES IN UNDERSERVED AREAS**

The EDA Revolving Loan Fund (RLF) program is one of the most successful and powerful economic development tools for addressing the credit gaps that exist in many distressed communities, particularly in underserved rural areas. By using limited public funds to leverage private capital, locally managed RLFs have provided business capital to thousands of new and existing companies that have difficulty securing conventional financing.



Capitalized with an EDA grant, RLFs are managed by public and private nonprofit organizations (including economic development districts) designed to further local economic development goals by lending their initial capital and then relending funds as payments are made on the initial loans. Loans are typically used for fixed assets or working capital needs. Organizations are also required to demonstrate how the RLF fits their local needs, as defined in a comprehensive economic development strategy.

The participation of RLF funds in a business deal usually encourages once-reluctant banks to also lend, since loan funds normally agree to let banks recoup their losses first from the business' collateral in the event of default. By providing such gap financing, loan funds have been instrumental in the growth of companies that otherwise would not have received funding.

RLFs play a particularly critical role in the economic development of distressed rural areas, where alternatives to conventional financing are limited. In inner cities, community development corporations (CDCs) and municipal agencies often manage loan funds. In rural areas, where there are few CDCs and limited municipal capacity, RLFs managed by regional development organizations are often the only source of alternative financing for entrepreneurs and existing businesses. A January 2002 NADO survey of regional development organizations with loan funds found that half are the sole lender in all or part of their multi-county service area, underscoring the important role played by public entities and RLFs in creating private sector jobs in rural America. *(For more details, see the NADO Research Foundation report, "EDA RLFS Make a Difference.")*

In a rural region of Missouri, the Meramec Regional Planning Commission has helped provide business capital to a local company that has grown into a worldwide supplier of specialty chemicals, materials, and equipment to micro-electronics and opto-electronics manufacturers. In 1995, the Meramec RPC supported the company's expansion by making a working capital loan of \$150,000, which in turn leveraged \$1.343 million in private sector funds. Sixteen jobs paying an average of \$23 per hour, much

higher than the regional average of \$14, were created in the small town of 16,000. Since 1992, the Meramec RPC has made 37 loans that have created and saved 758 jobs.

In northern California, an EDA RLF loan helped Sierra Nevada Brewing Company with its first expansion, eventually resulting in the company becoming a top-10 microbrewer. The Tri-County Economic Development Corporation, located in Chico, loaned the company \$25,000 in 1988, which was needed to leverage an additional \$678,350 in private financing. The growth of the company has been steady since this expansion, growing from 25 to 270 employees. Tri-County's RLF has continued to help businesses in its three-county service area, making 107 loans totaling \$4.2 million and creating and saving 508 jobs.

Despite the effectiveness of locally managed RLFs, the EDA program could be dramatically improved by implementing the following recommendations:

- EDA should recapitalize and expand the lending capacity of existing RLFs that have established a successful track record and demonstrated demand.
- A new technical assistance program should be added to complement the loan fund program to better safeguard the investments made by RLFs. The agency should also allow RLF grant funds to be used for professional development training for RLF managers.
- The EDA RLF program should emulate other federal loan programs and defederalize RLF monies once they have been loaned out and repaid one time. Defederalization will reduce paperwork and regulatory burdens, while still requiring local accountability.
- The agency should lower or eliminate the requirement that 75 percent of funds be loaned out at any one time. This mandate is particularly burdensome during slow economic times and in rural and remote regions. It also has the potential to force local RLF managers to make investments in the riskiest of deals.

E. EDA BROWNFIELDS REDEVELOPMENT PROGRAM: TRANSFORMING UNDERUSED INDUSTRIAL SITES INTO PRODUCTIVE FACILITIES

Mr. Chairman, the proposed EDA brownfields redevelopment legislation (HR 1334) introduced by Rep. Jack Quinn (R-NY) would significantly strengthen the current portfolio of federal brownfields programs. While the Environment Protection Agency has an exceptionally effective program, it is targeted almost exclusively toward helping communities assess and clean up brownfields. The EDA program would establish a unique and flexible set of tools to help local officials, regional development organizations and others redevelop and transform underused industrial sites into productive facilities.

As highlighted in two recent reports by the NADO Research Foundation, there have been a number of impediments historically to successful brownfields work in small metropolitan and rural areas. These include a lack of local professional staff expertise and time, limited project implementation funds, liability concerns and property ownership issues. In addition, redevelopment activities are very costly, with a typical project costing over \$5 million. *[Source: Reclaiming Rural America's Brownfields: Alternatives to Abandoned Property. NADO Research Foundation, April 2001.]*

While the EPA brownfields legislation enacted in 2002 would aggressively address many of these impediments, such as liability concerns and funding for assessment and cleanup, there is still a significant void in funding for redevelopment activities, including planning and technical assistance. The proposed program would place a priority on brownfields redevelopment within EDA, plus raise awareness in local communities about the hundreds of thousands of sites scattered around the country.

More importantly, the creation of the EDA program would reinforce the concept that local organizations have options beyond cleaning up sites to preserve green space and curb sprawl. Local communities could now pursue strategies for taking idle industrial and commercial facilities and returning them to viable economic centers. This represents the best of both worlds: creating jobs and increasing local revenue, while also raising community pride and environmental awareness, promoting positive land use, and encouraging reinvestments in older areas. Sites that once marred the landscape could be put back into productive use for the public and private sectors.

In studying existing brownfields efforts, the NADO Research Foundation found a host of good examples and best practices around the nation. In Vermont, for example, local elected officials and community leaders within the area covered by the Southern Windsor County Regional Planning Commission worked together to address six brownfields sites, including a former Goodyear plant and machine shop. Today, the adaptive reuse of the site is providing quality jobs and tax revenue to the community.

Located on a narrow strip of land between the Chesapeake Bay and the Atlantic Ocean, the town of Cape Charles and Northhampton County in Virginia also proved that redevelopment is possible, even in highly distressed areas. With assistance from EDA and others, the community established the nation's first eco-industrial park, which features manufacturing space, conference facilities, restored wetlands, a nature trail, environmental education facility and a tertiary sewage treatment system. It even uses solar panels to cut energy costs.

Along the shores of Lake Michigan, the West Michigan Shoreline Regional Development Commission is assisting 120 cities and towns and five counties in economic development activities including redeveloping brownfields sites. The group asks local governments each year to submit projects for its Comprehensive Economic Development Strategy. The suggested projects are then prioritized and sorted into EDA's main project categories.

Within the region, both the city and county of Muskegon are recognized as leaders in taking a proactive role in brownfields redevelopment. The city has established a Brownfields Redevelopment Authority to promote the revitalization of environmentally distressed properties within the city, while the county is transforming former foundries into recreational parks, industrial parks, shopping centers, restaurants and housing. The regional organization plays the key role of coordinator, making sure that the various levels of government are communicating and sharing information.

Mr. Chairman, HR 1334 would allow EDA to continue its successful brownfields redevelopment work without depleting its resources for other equally important initiatives. Since 1997, EDA has invested more than \$250 million in more than 250 brownfield redevelopment projects nationwide. However, there is little assurance currently that the agency can sustain this level of investment, especially within the existing appropriations and authorization caps. By establishing a specific program for brownfields redevelopment, the agency would be given the stability and sustainability required to meet the growing needs.

According to the US Conference of Mayors, the redevelopment of brownfields could generate more than 550,000 additional jobs and up to \$2.4 billion in new tax revenue for major cities. This number is even greater when you add the hundreds of thousands of brownfield sites in small metropolitan and rural areas. A 1999 survey of regional development organizations found that millions of dollars could be generated annually through local taxes on redeveloped brownfields property.

An expanded brownfields redevelopment program would be a valuable addition to the EDA toolbox. It would significantly strengthen the current portfolio of federal brownfields programs. It would help planning districts and their local partners incorporate brownfields redevelopment efforts into their comprehensive economic development strategies. And, it would allow EDA to continue its brownfields work without depleting resources for its other job creation programs.

F. EDA'S RELATIONSHIP TO FEDERAL-STATE REGIONAL COMMISSIONS

Mr. Chairman, both the existing and proposed federal-state regional commissions can be powerful and effective partners in helping the nation's most highly distressed regions develop the fundamental building blocks required to support and sustain local economic growth. At the same time, it must be made clear that these regional commissions should not be considered a replacement, or even duplication, of other federal programs such as EDA. Instead, these regional commissions are crafted to serve as complementary partners in regions with chronic and contiguous distress.

EDA is an agency that provides critical resources for public works, planning, technical assistance and research. The agency is a national innovator in helping areas negatively impacted by manufacturing plant closings, military base realignments, natural disasters and other sudden and severe economic dislocations. In addition, EDA plays a valuable leadership role within the federal government and at the local level. Unfortunately, the agency lacks the human and financial resources to provide the intensive care needed in the most depressed regions.

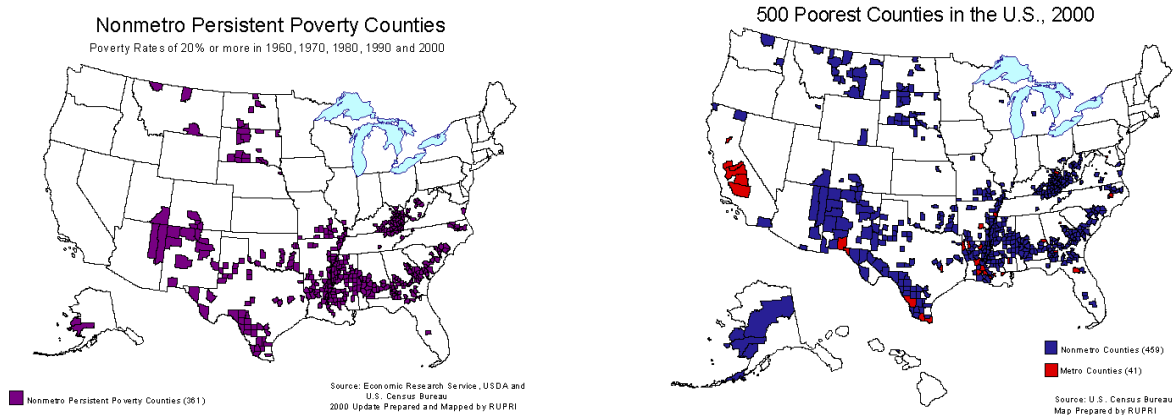
Federal-state regional commissions, such as the Appalachian Regional Commission, are a clear recognition that the most severely impoverished regions of the nation need extensive resources and attention to overcome persistent challenges. They are an acknowledgment that economic recovery and competitiveness takes time, comprehensive planning and commitment at the federal, state and local levels. They are also designed to take a more holistic approach to improving the quality of life for local residents.

Federal regional commissions are unique because they have a flexible and comprehensive set of program tools to help the most distressed regions develop all of the basic building blocks for economic development, including basic infrastructure, job skills training, local leadership and civic capacity, entrepreneurship, small business capital and accessible health care services. They have an innovative intergovernmental governance structure that coordinates and leverages the power of federal and state agencies. In addition, they frequently help financially strapped communities meet the local share requirements of federal and state infrastructure grant programs.

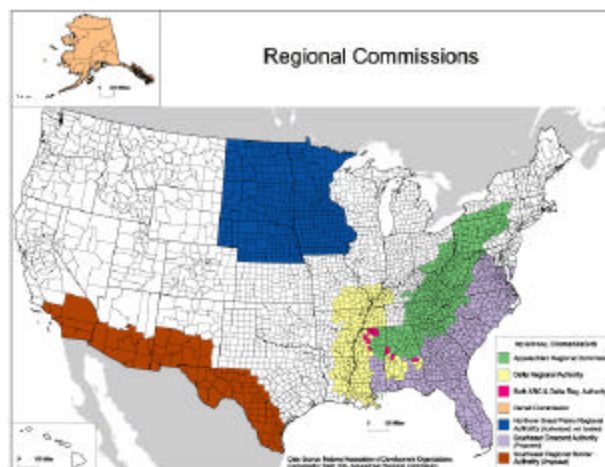
In analyzing the national data and characteristics of rural America, it becomes quite apparent that there are several multi-state regions suffering from long-term poverty, high rates of unemployment and low per capita income. Over the past four decades, the highest concentrations of distress have been located in Appalachia, the Southeast, Mississippi Delta, Southwest Border, Four Corners area, rural Alaska and

the Northern Great Plains. Several regions, such as the Northern Great Plains, have also experienced significant rates of outmigration in recent decades.

As shown in the maps below, rural counties from these regions dominate the list of the nation's 500 poorest counties and the list of the 500 lowest per capita income counties. Furthermore, rural Americans collectively are nearly twice as likely to earn the minimum wage, at 12 percent versus seven percent, and rural poor families are more likely to be employed yet still poor. According to the Rural Policy Research Institute, rural counties suffer from a higher poverty rate nationally than metropolitan counties. The poverty rate for rural counties in 2000 was 13.4 percent, compared to the 10.8 percent rate for urban counties.



While each region has unique circumstances and challenges, there are also several obstacles that are common to these highly distressed regions. Many of the small metropolitan and rural communities in these regions are struggling to overcome geographic isolation, whether caused by difficult terrain, open space or inadequate infrastructure. Many are trying to diversify local economies that have been historically dependent on a single industry, such as coal, timber, textiles and agriculture. Furthermore, these communities are facing additional challenges that are compounded and exacerbated by declining employment bases, limited tax revenue to support new investments, high costs associated with diseconomies of scale, and the ongoing difficulties of adjusting to population shifts.



As the maps and data show, both the proposed and existing federal regional commissions have been properly targeted to these highly disadvantaged regions. While ARC has been tremendously successful in reducing the 13-state regions poverty by nearly 50 percent over the years, the region's economy remains fragile and a great deal of work remains ahead. In the SouthEast Crescent (SECA) region, more than 40 percent of the 428 counties have 20 percent or more of their citizens living in poverty. Research by East Carolina University concludes that over 70 percent of SECA counties have poverty rates higher than the 1990 national average. Over 55 percent of SECA counties had unemployment rates higher than the national average in 2000, with over 10 percent experiencing rates at least double the national average.

In the Northern Great Plains, the regional unemployment and poverty rates may be more in line with national averages. However, the region has experienced unprecedented levels of outmigration, including a continuous drain of educated youth. The region also has a significant rate of underemployment, meaning that residents are holding multiple low wage jobs to earn a living. Along the US-Mexico border, at least 20 percent of residents live below the poverty level and unemployment rates often reach as high as five times the national unemployment rate. The per capita rate is also far below the national level, with much of the income coming in the form of federal transfer payments such as welfare, Social Security and unemployment.

Based on the proven successes of the ARC model, we believe it is appropriate to support and establish federal-state regional commissions for these specific areas. Most importantly, we think it is necessary and crucial to build from the ground level up through the existing network of local development districts. These multi-county development organizations provide a critical link from the local level to federal programs like EDA as well as to the independent regional commissions.

As stated earlier, we offer this endorsement with the full understanding that these regional commissions are not intended or designed to replace or duplicate other federal programs such as the Economic Development Administration. Instead, they are crafted to serve as complementary partners in serving regions with chronic and contiguous distress. Legislation (HR 141) introduced by Rep. Mike McIntyre and Robin Hayes for the SouthEast Crescent Authority and similar legislation (HR 1071 and S 458) introduced by Rep. Silvestre Reyes and Sens. Jeff Bingaman and Kay Bailey Hutchison for the Southwest Regional Border Authority make the necessary links to the local level and closely resemble the ARC framework. *(For more details on federal-state regional commissions, see the NADO testimony before the House subcommittee on September 12, 2002.)*

G. CONCLUSION

In closing, Mr. Chairman, I want to reinforce our strong support for a multi-year reauthorization bill that maintains EDA's current mission and program focus of helping bring economic opportunities to our nation's distressed communities, particularly small town and rural America. Through its existing programs -- including the planning, public works and economic adjustment programs -- the agency serves as a vital resource for distressed areas striving to improve their local economies through private sector job growth. The agency should retain the flexibility to help all of the nation's distressed areas and communities, whether they are struggling to overcome long-term economic challenges or sudden and severe hardships. EDA is an agency that merits the full support and commitment of the committee.

Thank you again, Mr. Chairman and members of the subcommittee, for the opportunity to testify today on the views of NADO and its membership. I would welcome any questions.